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BIWEEKLY REPORT

SINO-SOVIET BLOC ECONOMIC ACTIVITIES IN UNDERDEVELOPED AREAS

EIC-WGR-1/39

5 August 1957

**PREPARED BY THE WORKING GROUP
ON SINO-SOVIET BLOC ECONOMIC ACTIVITIES
IN UNDERDEVELOPED AREAS**

ECONOMIC INTELLIGENCE COMMITTEE



SECRET

8 AUG 1957

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These biweekly reports on "Sino-Soviet Bloc Economic Activities in Underdeveloped Areas" are prepared and issued by a Working Group of the Economic Intelligence Committee, including representatives of the Departments of State, the Army, the Navy, the Air Force, Commerce, and Agriculture; the International Cooperation Administration; the Office of the Secretary of Defense; and the Central Intelligence Agency. Their purpose is to provide up-to-date factual information on significant developments in the economic relations of Sino-Soviet Bloc countries with underdeveloped countries of the Free World. The EIC-R-14 series of reports, under the same title, provide periodic summaries and analytical interpretations of these developments.

Printed and Disseminated by the
Central Intelligence Agency

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Summary of Events
19 July - 1 August 1957

The reported Soviet loan of \$112 million to Syria and the signing of protocols by the USSR and East Germany with Yugoslavia fixing dates for the delivery of about \$250 million in development aid to Yugoslavia were the principal events affecting the economic relations between the Sino-Soviet Bloc and the underdeveloped countries of the Free World during the period 19 July - 1 August 1957.

The 10-year loan of \$112 million reportedly granted Syria by the USSR undoubtedly will increase Soviet influence in Syria although the loan is alleged to have been granted without conditions. It seems probable that part of the loan will be used in payment for Syrian arms purchases from Czechoslovakia and the USSR.

The protocols signed in Moscow fixing delivery dates for Soviet and East German development aid to Yugoslavia indicate that construction of a large aluminum combine, to be financed by the \$175 million joint Soviet - East German credit, will be delayed 2 or 3 years and that completion is not planned until 1964. The delivery of material for other postponed projects -- 2 nitrogen fertilizer plants, an electric power station, and 3 mines -- also has been promised by 1964. Yugoslavia has signed an agreement with Hungary calling for expanded economic cooperation, and a Yugoslav-Rumanian mixed commission met in late June to work on plans for a hydroelectric project on the Danube River.

Other aspects of the Sino-Soviet Bloc economic offensive include the signing of an aid agreement between Afghanistan and the USSR under which the USSR will provide equipment and technical assistance for an oil exploratory program in northern Afghanistan. Bloc purchases of rice from Burma are continuing despite efforts by both Czechoslovakia and the USSR to dispose of earlier purchases of Burmese rice in Pakistan and India, traditional customers of Burma.

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Sino-Soviet Bloc activities in the Middle East include the planned establishment by Egypt of a jointly financed (Egypt and the USSR) company with exclusive rights for the exploration, production, refining, and marketing of oil in Egypt. In Yemen, Soviet technicians have improved port facilities to enable delivery of Bloc arms, and Czechoslovak technicians have been engaged to undertake a geological survey of the country. A Turkish commercial bank has contracted with the USSR for the purchase of equipment for caustic soda and glass factories for which the USSR will supply a long-term credit.

The Communist Chinese trade mission currently in Argentina is expected to arrive in Brazil in early August. Chinese efforts to sign a payments agreement with an Argentine bank were unsuccessful, but, as a result of the mission's efforts, increased trade between the two countries is expected. A Brazilian company has reportedly sold 10,000 tons of sugar to China, and during the visit of the Chinese mission to Brazil, additional purchases are expected to be arranged.

The Soviet agency identified as responsible for broad areas of economic and technical assistance to both Bloc and non-Bloc -- especially underdeveloped -- countries has received a new chairman, Mikhail Pervukhin. Pervukhin, a candidate member of the Presidium of the Central Committee of the Communist Party, will become thereby a member of the Council of Ministers. The agency he now heads will rise in bureaucratic rank. It is not now possible to determine the effect this change will have upon Soviet activities in underdeveloped countries of the Free World.

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Approved For Release 2005/08/22 : CIA-RDP92B01090R000700010039-8

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